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Global Ports Holding Plc

9 Month 2019 Trading Statement

Global Ports Holding announces record 9 month results, full year expectations lowered

Global Ports Holding Plc ("GPH" or the "Group"), the world's largest independent cruise port operator, today announces its unaudited results for the nine months ending 30 September 2019.

<u>Key Financials & KPI Highlights</u>	9M 2019	9m 2019	9m 2018	YoY Change	Q3 2019	Q3 2018	YoY Change
		CCY ⁵					
Passengers (m PAX) ⁶	3.7		3.3	11.1%	1.6	1.7	-4.2%
General & Bulk Cargo ('000 tons)	580		1,166	-50.2%	122	371	-67.1%
Container Throughput ('000 TEU)	155		182	-14.8%	50	59	-15.2%
Total Revenue (\$m)¹	91.5	93.7	94.5	-3.1%	36.9	37.9	-2.7%
Segmental EBITDA (\$m)²	66.3	68.1	70.5	-6.0%	27.2	30.2	-10.0%
Segmental EBITDA Margin	72.4%	72.7%	74.6%		73.7%	79.6%	
Cruise Revenue (\$m) ⁷	46.1	47.9	41.4	11.2%	22.2	19.1	16.5%
Cruise EBITDA (\$m)⁸	32.6	34.3	28.6	13.9%	15.7	13.9	12.9%
Cruise Margin	70.6%	71.6%	69.0%		70.8%	73.1%	
Commercial Revenue (\$m)	45.4	45.8	53.0	-14.4%	14.7	18.9	-22.2%
Commercial EBITDA (\$m)	33.7	33.8	41.9	-19.5%	11.4	16.3	-29.6%
Commercial Margin	74.2%	73.9%	78.9%		78.0%	86.2%	
Adjusted EBITDA (\$m)³	61.0	62.8	65.3	-6.6%	26.2	29.3	-10.4%
Adjusted EBITDA Margin	66.7%	67.1%	69.1%		71.0%	77.1%	
Operating Profit (\$m)	10.3		21.0	-51%	8.8	14.5	-39.3%
Profit/(Loss) for the period (\$m)	(14.8)		(0.1)	n/a	1.0	3.5	-71.4%
Underlying profit for the period⁴	10.4		24.1	-56.8%	9.5	11.1	-14.4%
	9M 2019		Dec 2018				
Net Debt	332.5		-				
Net Debt ex impact of IFRS 16	272.9		267.2				

Key Financials and KPIs

- Total consolidated revenues were \$91.5m for the 9M period, down 3.1% yoy (-0.9% ccy)
 - Q3 revenues were down 2.7% yoy at \$36.9m (-1.9% ccy)
- Segmental EBITDA for the 9M period down 6.0% at \$66.3m (-3.3% ccy)
 - Q3 Segmental EBITDA down 10% at \$27.2m (-7.9% ccy)
 - Q3 Cruise EBITDA up 12.9% (17.4% ccy), Q3 Commercial EBITDA down 29.6% (-29.6% ccy)
- Adjusted EBITDA of \$61.0m for the 9M period down 6.6% (-3.8% ccy)
 - Q3 Adjusted EBITDA down -10.4% at \$26.2m (-8.2% ccy)
- Cruise passenger volume growth for the 9M period +11.1%
- Container Throughput ('000 TEU) -14.8% and General & Bulk Cargo -50.2% for 9M period

Emre Sayin, Chief Executive Officer said;

"I am pleased with the performance of our Cruise business, which once again has delivered record results in line with our expectations. The recent start of cruise port operations in both the Bahamas and Antigua represents a transformational and exciting moment for the Group. The addition of these ports means that Cruise will become our largest business, firmly delivering on the plans we set out at the time of the IPO. Trading at our Commercial business remained challenging in Q3.

Trading since the period end at our Cruise business has continued to be in line with our expectations, while trading at our commercial business has continued to be weak. As a result of the challenges facing the Commercial business, we now expect the Group to deliver for the full year a decline in Consolidated EBITDA in percentage terms of mid- single digit against 2018."

Financial Review

- Operating profit of \$10.3m for the first 9 months of the year (9M 2018: \$21.0m), was primarily due to \$23.6m of amortisation expense in relation to port operation rights (9M 2018 \$24.1m), depreciation costs in relation to right of use assets of \$1.7m (9M 2018: \$0.0m), amortisation \$9.6m (9M 2018: \$9.6m) and one off adjustments \$11.4m, the majority of which were project expenses of \$6.5m (9M 2018: \$7.0m). The total IFRS 16 impact on

operating profit is \$0.3m.

- Loss after tax for the period was \$14.8 million (9M 2018: -\$0.1m), driven by an increase in net finance costs to \$26.9m (9M 2018: \$22.0m), offset by an increase in income from equity accounted associates to \$4.4m (9M 2018: \$3.7m), while tax expense decreased to \$2.6m (9M 2018: \$2.7m). The increased net finance costs are primarily due to \$2.2m of IFRS 16 leasing interest (9M 2018: \$0m), while net interest expenses increased to \$19.5m (H1 2018: \$18.1m).
- Underlying profit for the 9-month period of \$10.4m (9M 2018: \$24.1m) reflects the loss after tax in the period of \$14.8m after adding back amortisation of port operating rights of \$23.6m (9M 2018: \$24.1m) and depreciation of right of use assets of \$1.7m (8m 2018: \$0m).

Cruise Port Review

Passengers ('000 PAX)	9M 2019	9M 2018	YoY Change (%)	Q3 2019	Q3 2018	YoY Change (%)
Creuers	1.9	1.9	2%	0.86	0.84	2%
Valletta	0.7	0.5	41%	0.32	0.23	43%
Ege Port	0.2	0.16	25%	0.12	0.10	26%
Other Cruise Ports	0.8	0.7	11%	0.29	0.49	-41%
Total Cruise Ports	3.6	3.3	11%	1.59	1.66	-4%

- Cruise Revenue and EBITDA for the 9 months were up 11.2% and 13.9% respectively, to \$46.1m and \$32.6m (15.6% and 13.7% ccy)
- Passenger volumes for the 9 months rose 11% yoy, with Q3 volumes falling by 4%
 - Q3 passenger volumes were negatively impacted by the US authorities' decision to prohibit authorised travel to Cuba via cruise ships under the People to People program
- Q3 Cruise Revenue and EBITDA rose by 16.5% and 12.9%, to \$22.2m and \$15.7m respectively (18.0% and 17.4% ccy)
- Cruise EBITDA growth over the period was broad based, with notably strong performances from Valletta, Ege and equity associate ports in particular.
 - Excluding the impact of IFRS 16, Cruise EBITDA growth for the 9 months was 9.1% (15.1% ccy)
- 2019 has been a year of significant success in relation to our new port strategy. We signed concession agreements for cruise ports in the Bahamas and Antigua and have now started operating these ports.
 - The addition of these ports to our portfolio, marks a truly transformational moment for the company, GPH's Caribbean operations will soon be delivering as much EBITDA as its Mediterranean operations did in 2018.
- In addition, we continue to work on a number of other projects, including potential extensions to a number of our current cruise port concessions. La Goulette, Tunisia is expected to close before the end of the year and we will shortly announce to the industry the winning bidders for our recent travel retail RFP process. While our work to extend our Port Services revenues continues to progress well. We look forward to sharing more on these developments when it is appropriate to do so.

Commercial Port Review

	9M 2019	9M 2018	Yoy Chge	Q3 2019	Q3 2018	Yoy Chge
Port Akdeniz						
General & Bulk Cargo ('000)	445	1,026	-57%	109	331	-67%
Throughput ('000 TEU)	119	144	-17%	40	46	-14%
Port Adria						
General & Bulk Cargo ('000)	136	140	-3.3%	13.0	40.2	-68%
Throughput ('000 TEU)	36	38	-6.2%	10.1	12.8	-21%
Total General & Bulk Cargo ('000)	580	1,166	-50%	122	371	-67%
Total Throughput ('000 TEU)	155	182	-15%	50	59	-15%

- Macro-economic factors such as trade tariffs and barriers continue to negatively impact the Commercial business.
- Throughput Container volumes fell 14.8% and General & Bulk Cargo volumes for the 9 months were -50.2%
 - In Q3 General & Bulk Cargo Volumes were -67.1% and TEU Throughout was -15.2% yoy
- The Q3 decline in throughput container volumes reflects the continued subdued marble volumes at Port Akdeniz, with Q3 marble volumes declining by 13.5% yoy, albeit this was an improvement on the -22.1% decline delivered in H1 2019.
- Commercial Revenue and EBITDA for the 9 months were down 14.4% and 19.5% respectively, to \$45.4m and \$33.7m (-13.7% and 19.2% ccy)
 - Q3 Commercial Revenue and EBITDA fell 22.2% and 29.6% respectively, to \$14.7m and \$11.4m, with the sharper decline vs H1 driven by the impact of reduced oil services project work in the period.
 - Excluding the impact of IFRS 16, Commercial EBITDA growth for the 9 months was -20.5% (-20.2% ccy)
- Despite the sharp declines in volumes, EBITDA margins remained strong at 74.2% for the 9 months, reflecting the inherent cost flexibility in our business model.
- Excluding the one off positive impact of project cargo in 9m 2018, Port of Adria's EBITDA grew by over 25% in the first nine months of 2019, driven by continued strong growth in steel coils volumes.

Balance Sheet

As at 30th September 2019 pre-IFRS 16 net debt was \$272.9m compared to \$267.2m at the end of 2018 and \$250.3m at the end of same period last year. Post IFRS 16 net debt at the end of the period was \$332.5m. Net Debt/EBITDA pre-IFRS 16 was 3.4x (FY 2018 3.0x, 9M 2018: 3.2x), including the impact

of IFRS 16, Net Debt/EBITDA was 4.2x. Gross Debt was \$351.6m at 20 September 2019 (FY 2018: \$347.1m). The leverage ratio as per GPH's Eurobond rose to 4.4x (FY 2018: 4.0x) against a restrictive covenant requirement of 5.0x, primarily driven by the reduced profitability at our commercial ports and interest accruals related to our Eurobond.

Net cash inflows of \$1.2m for the nine-month period, was driven primarily by operating cash inflows of \$42.6m after working capital of -\$2.3m, other movements totalling \$16.1m which is primarily made up of equity accounted associates -\$4.4m and project expenses of -\$6.5m. Net interest expense of -\$13.9m, tax of -\$5.5m, capital expenditure of -\$5.9m and dividends -\$19.4m.

Q3 working capital of \$22.1m is primarily driven by the \$18.2m reversal of a number of H1 2019 working capital out flows, as discussed at the interims, \$12m from the early repayment of the Dreamlines loan, partially offset by -\$3.3m of new port related bid bond expenditure.

Strategic review

During Q3 2019 we announced that in light of the emerging opportunities in our cruise business that we were undertaking a strategic review of the Group. The process is currently expected to conclude in Q1 2020, however there can be no certainty as to the final outcome. A further announcement will be made when it is appropriate to do so.

Outlook & current trading

Overall the trends highlighted at the interim results have continued into Q3. Our Cruise business continues to perform well in Q4 2019 and looking into 2020 and 2021, organic growth is expected to be strong driven by a significant increase in passengers at both Ege and Bodrum. The recent addition of Nassau and Antigua cruise ports to our cruise portfolio is a truly transformational for the group. Cruise passenger volumes for 2020 will increase by close to 100% and we expect to deliver in excess of \$85m of EBITDA from our Cruise business by 2022, a growth rate of in excess of 100% from 2018 levels.

As expected, macro-economic factors such as trade tariffs continued to negatively impact our Commercial business in Q3, particularly Port Akdeniz. Throughput container volumes were once again weak in the period and this sustained weakness has continued into Q4. Longer term an agreement to end the current escalation of trade tariffs involving China and a general improvement in Chinese GDP are, we believe, the most likely catalysts for a meaningful improvement in container throughput volumes.

As a result of the weakness in our Commercial ports, we now expect the Group to deliver for the full year a decline in Consolidated EBITDA in percentage terms of mid-single digit against 2018.

Conference call

A conference call for investors will be held at 9.30pm today. Please email investor@globalportsholding.com for details

Notes

1. All \$ refers to United States Dollar unless otherwise stated
2. Segmental EBITDA is calculated as income/(loss) before tax after adding back: interest; depreciation; amortisation; unallocated expenses; and specific adjusting items
3. Adjusted EBITDA calculated as Segmental EBITDA less unallocated (holding company) expenses
4. Underlying Profit is calculated as profit / (loss) for the year after adding back: amortization expense in relation to Port Operation Rights and the one-off expenses related to the IPO and deduction of reversal of replacement provisions
5. Performance at constant currency is calculated by translating foreign currency earnings from our consolidated cruise ports, management agreements and associated ports for the current period into \$ at the average exchange rates used over the same period in the prior year.
6. Passenger numbers refer to consolidated and managed portfolio consolidation perimeter, hence it excludes equity accounted associate ports Venice, Lisbon and Singapore
7. Revenue allocated to the Cruise segment is the sum of revenues of consolidated and managed portfolio
8. EBITDA allocated to the Cruise segment is the sum of EBITDA of consolidated cruise ports and pro-rata Net Profit of equity accounted associate ports Venice, Lisbon and Singapore and the contribution from the Havana management agreement

Notes to Editors

GPH is the world's largest cruise port operator with an established presence in the Mediterranean, Caribbean, Atlantic and Asia-Pacific regions. GPH was established in 2004 as an international port operator with a diversified portfolio of cruise and commercial ports. As an independent cruise port operator, the group holds a unique position in the cruise port landscape, positioning itself as the world's leading cruise port brand, with an integrated platform of cruise ports serving cruise liners, ferries, yachts and mega-yachts. As the world's sole cruise ports consolidator, GPH's portfolio consists of investments in 7 cruise ports and two commercial ports in 11 countries and continues to grow steadily. GPH provides services for more than 7.0 million passengers.

Appendix

Consolidated statement of comprehensive income data	9M 2019	9M 2018
Revenue	91.5	94.5
Operating Expenses	(61.6)	(57.3)
Depreciation and Amortization	(34.9)	(33.6)
Other Operating Income	3.0	6.9
Other Operating Expense	(22.6)	(23.1)
Operating profit	10.3	21.0
Finance Income	5.6	31.0
Finance Expenses	(32.5)	(53.0)
Profit before income tax	(12.3)	2.6
Income tax expense	(2.6)	(2.7)
Profit for the period	(14.8)	(0.1)
Other financial data (USD millions actual)		
EBITDA	61.0	65.3
<i>EBITDA margin</i>	66.7%	69.1%

Cash flow (USD Million)	9M 2019	9M 2018	Q3 2019	H1 2019
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Adjusted EBITDA	61.0	65.3	26.2	34.8
Working Capital	(2.3)	(2.5)	22.1	(24.4)
Other	(16.1)	(9.9)	(7.5)	(8.6)
Operating Cash flow	42.6	52.9	40.8	1.8
Net interest expense	(13.9)	(9.3)	(1.5)	(12.4)
Tax	(5.5)	(2.8)	(2.4)	(3.1)
Net Capital Expenditure	(5.9)	(8.8)	(0.1)	(5.8)
Free cash flow	17.3	32.0	36.8	(19.5)
Investments	--	(11.9)	--	--
Exceptionals	3.3	0.9	(0.3)	3.6
Dividends	(19.4)	(19.7)	(21.7)	2.3
Other	(0.0)	(0.1)	--	--
Net Cash flow	1.2	1.1	14.8	(13.6)
Net Debt start of period	267.2	227.5		
Net Cash flow	1.2	1.1		
FX	(6.9)	(23.9)		
Net Debt End of Period	272.9	250.3		
IFRS 16 Impact	59.6	n/a		
Net Debt End of period - Post IFRS 16	332.5	n/a		

Consolidated statement of financial position data (\$m)	9M 2019	9M 2018
Cash and cash equivalents (including short term investments)	78.6	111.7
Total current assets	117.2	138.3
Total assets	698.7	726.5
Total debt (including obligations under financing leases)	411.1	362.0
Net debt (including obligations under financing leases)	332.5	250.3
Total equity	171.2	226.2
of which retained earnings	92.2	125.4

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